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SOURCE Ching-shi Chou-pao [Economic weekly], Vol XI, No 24, 1950THE FIRST STEP IN CHINA'S PLANNED FOREIGN TRADE

Yeh Li-chung

Our Foreign Trade Is Well Planned

China's foreign trade has been controlled for almost a century, since the Opium War of 1840, by imperialist countries and by Chinese bureaucrats and merchants who used trade as an instrument to exploit the Chinese people. Every means was used to purchase export materials at very low prices from the Chinese producers, while imports to China were chiefly the luxury goods and surplus products of imperialist countries. These imperialists and bureaucrats monopolized China's maritime customs and important monetary organizations; such organizations are always closely related to a country's foreign trade.

By means of unequal treaties, the imperialists and bureaucrats fixed compulsory import duties at the lowest possible rate for the purpose of dumping large quantities of surplus products in exchange for cheap raw materials. Also, they took over many affairs which were irrelevant to the administration of maritime customs, such as the management of coastal and harbor affairs and patrol of China's territorial waters. Thus, they further extended their infringement on China's rights and made it easy to continue their aggression against China.

Under these circumstances China's foreign trade, controlled by others, naturally could not be planned. Being primarily concerned with the interests of imperialist countries, the Chinese bureaucrats and merchants aided the execution of the imperialists' policy of aggression and exploitation; they also blocked completely the economic development of China.

Characteristics of the economic conditions in China in the past were: (1) industrial production was low in quantity and crude in quality; (2) industrial centers were chiefly in the hands of imperialist countries and the Chinese bureaucrats and merchants; and (3) the few industries in China were poorly developed: they were all located in the coastal cities, far removed from the regions in which the raw materials were obtained. Thus they depended mainly on raw materials supplied by imperialist countries.

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...to her food industry. China's textile industry was considered the most prosperous, but the raw materials, cotton and wool, that the industry needed were supplied by imperialist countries. Although China did produce large quantities of cotton, much of which was exported as cheap raw material, China's textile industries were so equipped that only cotton imported from imperialist countries was suitable for use in the machines at hand. This condition even existed for a time after the liberation, because it was impossible to achieve a sudden conversion of equipment in the textile industry. China had needed large sums in foreign exchange to import cotton and thus had been unable to produce. Generally speaking, the conditions in the wool industry were the same.

As a result of the aggressive action of the imperialist countries, China had been reduced to the status of a colony or semicolony, a status that had prevented China any opportunity to build up her own independent industry.

Since victory in the War of Liberation, China, under the guidance of the Chinese People's Government, has begun to experience a basic change in foreign trade.

It may be pointed out that the power of imperialist countries, as well as that of Chinese bureaucrats and merchants, has been completely destroyed except in the textile industry. This peculiar circumstance exists because the textile industry has made continued production and to protect the worker from unemployment, has made special short-run arrangements for using a certain amount of foreign exchange to buy cotton and wool from imperialist countries. When the influence of the imperialist countries and the Chinese bureaucrats and merchants was finally crushed, the basic cause for the improper development of China's foreign trade and even of her entire economic system over the past years was completely removed. The various unequal treaties were abolished, the tariff system, monetary organizations, and other functions closely related to foreign trade, are now under China's own management. Thus, today China has a solid foundation for a planned foreign trade.

Foreign Trade Planning and the Import-Export Trade Conference

China at last has the foundation for a planned foreign trade. Now it is necessary for her to set up certain principles for that activity. At the same time, her foreign trade, after having been used as an instrument of exploitation in China by the imperialist countries, as well as by the Chinese bureaucrats and merchants, and having just been released from their control, is apt to be influenced by imperialist countries. Consequently, it will be subject to the harmful, destructive influence of the Chinese bureaucrats and merchants. Therefore, we must not only set up definite principles, but we must also secure better relations and coordination between the government corporations and private concerns.

The principles of China's foreign trade should be oriented in accordance with the basic principles of China's economic reconstruction. They must be made a link in this reconstruction, to the end that China's whole economic development will be benefited. Article 26 of the approved policy outline provides that "the fundamental policy for economic reconstruction of the Chinese People's Republic shall: coordinate both public and private interests, shall look after the welfare of both employers and employees, shall promote mutual assistance between metropolitan and rural areas, and shall facilitate the distribution of imports and exports so as to increase production and assure economic prosperity." This is the fundamental policy for the future economic reconstruction of China.

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foreign trade, which is included in the so-called distribution of imports and exports, should be considered a link in economic reconstruction. Basically, the principles of a planned foreign trade for China should set future economic reconstruction as its goal, thus fulfilling the responsibility of distributing imports and exports. It is also provided in Article 57 of the Constitution that "On the basis of equality and mutual benefit, the Chinese People's Republic will develop trade relations with the governments and the peoples of other countries." This means that China's foreign trade has to be carried out on a basis of equality and mutual benefit, a condition for which the government is planning her foreign trade. It is further provided in Article 57 of the Constitution that the government shall "put in force the control of foreign trade and adopt a policy of protective trade." This provision has already laid down the methods of putting a planned foreign trade into practice.

In the process of putting into practice the provisions of the approved Constitution regarding the planned foreign trade of China, the People's government, through the National Conference of Trade, called the National Conference of Import and Export Trade in July 1954. The object was to assemble both public and private enterprises so that they might seek mutual understanding and lay down the principles for coordinating their respective interests. The conference ended in great success. Results can be generalized as follows:

1. Separation of Governmental and Private Spheres of Operation

As to imports and exports, the government corporations are in charge of carrying out a certain portion of some important commodities, besides fulfilling their responsibilities in collective purchase and sale. The government corporations can import only military supplies and materials needed by the state for its industries. As to materials which are purely for civilian consumption, the corporations can only coordinate supply and demand and stabilize prices. All the rest of the import and export trade is left to private concerns. Even so, by means of contracts with government corporations, the private concerns may also be trusted with the trade which is theoretically allocated to the government corporations.

2. Equalization of the Import and Export Business

To carry out competition among commercial concerns, it is necessary to put into practice the policy of a planned foreign trade. Thus, the activities of these concerns will be well coordinated. In exports, they will find it possible to regain, and systematically broaden, their markets abroad. In imports, they will concentrate their efforts on shipping essential materials into the country. By doing this, the public and private interests can share the responsibilities and cooperate with each other, guaranteeing that China's foreign trade policy is carried out.

3. Application for Foreign Exchange for Imports

This process is also of great importance in foreign trade. The purpose of filing an application is to ensure the normal supply of raw materials and equipment for production, to coordinate the market, and to stabilize prices so that we can increase production and attain economic prosperity. All registered importers and privately owned factories are eligible to apply for foreign exchange for imports. The government authorities in charge of trade in the different localities may approve applicants if market demand allows or if the material in question is needed for production. But raw materials and equipment purchased by commercial concerns are not transferable. Furthermore, private concerns are required to file monthly reports of the sale of their imports to the local trade authorities.

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Contracts Between Government Corporations and Private Concerns

These contracts include those which permit purchasing and selling on behalf of the government corporations. When a contract is signed, both the government corporation and the private concern should act in the spirit of equality and mutual benefit and should carry out faithfully the terms of the contract. Unless some unavoidable events occur, each individual party will be responsible for loss inflicted on the other by any failure to abide by the terms of the contract and will be required to compensate the other for such loss. This arrangement will not only regulate the relations between government corporations and private concerns but will also stimulate planned foreign trade.

In 1955, the National Conference of Import and Export Trade has coordinated the work between government corporations and private concerns, thus helping the planned foreign trade into practice. This conference has defined the spheres of operations for government corporations and private concerns and designated the proper authority of each, so that efficiency can be increased. Furthermore, it has guided the importers and exporters, bringing to an end the blind competition so prevalent in the past. For expediting planned foreign trade, other means have also been provided, such as granting of foreign exchange for imports, issuance of contracts to private concerns by government corporations, market control, price stabilization, and the adjustment of supply and demand. The question which now faces us is how to put these ideas into practice.

Stabilization of Relations Between Public and Private Interests and Establishment of Small Specialized Import and Export Groups

Before the National Conference of Import and Export Trade had met, there were no definite regulations for government corporations and private concerns to follow in their business. This gave rise to all sorts of misunderstandings and conflicts and blocked the way for mutual cooperation. Generally speaking, export troubles lay in the fact that government corporations and private concerns both purchased native products for export from different places, while no rational agreement had been reached on the price offered for goods. Since the terms of the export contracts between government corporations and private concerns were not rationally drawn up, private businessmen felt displeased. All these problems were discussed at this conference. The aforementioned dead ends in operational spheres for government corporations and private concerns and the assignment of contracts to private concerns by government corporations both resulted from this discussion.

At the close of the conference, rational adjustments in the relationship between government corporations and private concerns were made either collectively through, or bilaterally between, the small specialized import and export groups. Let us observe the function of these groups and the way they are organized.

The small specialized import and export groups are organizations formed as a result of resolutions passed during the conference. These resolutions provided for government corporations and private concerns, either in import or export trade, to discuss their business together. Their functions are as follows: (1) to collect reports about fluctuations in production cost, transportation charges, the market price at home and abroad, and the business conditions of other importers and exporters, for the purpose of uniting their effort and collectively drawing up plans for the improvement of their business; (2) to reach some agreement in price unification and in the purchasing and selling practices abroad, and submit them to government authority for approval, thus providing all importers or exporters with a yardstick so that they will be able to cooperate with each other and avoid confusion in both domestic and

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and (3) to accept orders from government corporations, both in order to solve different technical problems, and to do all kinds of business on their behalf.

The method of organizing these groups varies in accordance with the particular conditions of their locality. Generally speaking, throughout the country, this work has been completed. For instance, in Shanghai, the most important part of China's foreign trade, appropriate arrangements have been made under the guidance of the Shanghai International Trade Association and a number of these small groups of these 16 are for export trade, each dealing with one of the following: (1) cooking oils and fats; (2) tea; (3) feathers; (4) furs; (5) wool; (6) textile products; (7) silk and silk goods; (8) waste-oil; (9) products other than wheat and rice; (10) straw hats; (11) sausage cases; (12) eggs; (13) porcelain and chinaware; (14) pharmaceuticals; and (15) others.

For import trade there are 11 groups: (1) metalware; (2) machinery; (3) electrical appliances; (4) chemical raw materials; (5) pharmaceuticals; (6) rubber; (7) paper; (8) cotton and hemp; (9) other fibers; (10) office equipment; and (11) other goods. In addition, there are groups for trade with Japan. A central committee for imports or exports has been organized, consisting of the head of each small specialized group or its representative. It permits frequent exchange of information about another's business and discussion of common problems. Government corporations also participate in these groups, but enjoy no special privileges other than the commercial concerns. The members of the executive committee of the small groups, who are under the direction of the group chairmen, are elected by the participating organizations, both governmental and private. The executive committee and the central offices of the small, specialized groups hold meetings at least once a week, and the government authorities in charge of foreign trade send their delegates to the meetings to coordinate business practice with state trade policy. All the members of each group also meet at least once a month.

Thus, since formation of the small specialized groups, public and private interests are better united and cooperation is greatly facilitated. In case some unnecessary misunderstanding or friction might arise from the management of their business, they can now either prevent such occurrences by previous consultation or remedy the conditions by adjustment afterward. By adopting these measures, not only can the proper relation between public and private interests be realized, but also a well-coordinated plan can be set to promote our trade with other countries and to achieve quickly a planned foreign trade for China.

The problem now is to improve the organizational setup of the small specialized groups. They exist only in framework and they need substantial improvement. The foundation of the people's import and export business is not yet solid because China's foreign trade has always been controlled by imperialist countries and Chinese bureaucrats and merchants, and was subject to their speculation and exploitation. Under these circumstances, there must be a certain time for reform so that the environment may gradually be changed. Therefore, the small specialized import or export groups must also assume the responsibility for environmental reform and coherent unity.

When the system of small specialized import or export groups was first started, someone pointed out, "Most of the people, either representing government corporations or private concerns, who participated in the small specialized import or export groups, kept silent and were willing to express their opinions. This attitude will render these groups meaningless. It is hoped that both government and private interests will quickly exchange ideas so that these groups will really be organizations for mutual counsel." This type of comment deserves

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... unless both government and private interests sincerely and
 work together, it will be impossible to make these groups function
 well. These groups have been formed for quite some time, there ought to be
 improvement in this respect.

The First Step in Planned Foreign Trade

After victory in the War of Liberation, China eliminated the causes of its
 abnormal economic conditions. The administration of the maritime customs, which
 was formerly related to foreign trade, is now under China's own control. Foreign-
 owned enterprises no longer enjoy any privileges. In other words, all the peculiar
 conditions created by the imperialist countries and the Chinese bureaucrats and
 capitalists in the years since the Opium War of 1840 have been reversed. The
 planned foreign trade is thus established. At the same time, the principles for a planned foreign
 trade have been added to the principles of carrying out the principles. The
 requirements, and the methods of carrying out the principles. The
 import and export groups have united the unorganized import-
 and-export groups so that they could take an active part in the struggle for
 planned foreign trade.

If we want China's foreign trade to be well planned, we should, of course,
 consider the necessary qualifications. That is to say, how many kinds of commodities
 can China export? What are the commodities that should be
 imported? For what products should production be stabilized or
 increased? How many different commodities and how much of them does China
 need? Which of these commodities can be supplied by China's own
 production, and which of these commodities can only be imported? It is true
 that to answer all these questions, we need an accurate survey. At present,
 we are not able to conduct such a survey. What we can do is to attack
 the problem in a methodical fashion. Now that the importers and exporters who deal
 with the same type of commodity, belonging to both governmental corporations
 and private concerns, are united into a small group -- the small specialized
 import or export group -- they can consult and discuss with each other at all
 times. A tentative plan for foreign trade in 1951 can certainly be worked out
 on the basis of past experience.

Naturally, the plan, worked out under such inadequate conditions, may not
 be accurate. However, it is better to have some plan, no matter how inaccurate
 it may be, than no plan at all. Under a plan, all will have some idea of what
 they are doing, and will, in any case, be less blind. After the plan is de-
 veloped it is necessary to begin working according to plan. At the commencement
 of a plan, of course, one should not expect too much. The only hope is that
 after the start, gradual progress may lead finally to the ideal standard.

If we wish to have planned foreign trade for China, we cannot depend en-
 tirely on the small specialized import or export groups to work out the plan
 solely from past experience. This will not be effective unless it is worked
 out in accord with the plan for China's economy as a whole. Besides, this plan
 should be based on the proper guidance of the government authorities in foreign
 trade. There are indications that government authorities are now seriously try-
 ing to work out some way to promote planned foreign trade. For instance, they
 have instituted the export-license system and changed several times the lists
 of commodities of which import or export is prohibited. In addition, because
 the good harvest has increased the farmers' buying power, cotton blankets,
 Turkish towels, undershirt material, etc., are given special priority for import
 or are prohibited from export. In anticipation of the demand for fertilizer
 and animal feed in the coming spring, waste-oil cake is prohibited from export.
 To establish self-sufficiency in supply of raw materials for the textile in-
 dustries, in both woolen and cotton products, wool has temporarily been excluded
 from the approved exports. To keep the cotton textile industry going, a certain
 amount of foreign exchange has been granted for the import of cotton.

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In short, China's planned foreign trade has already taken its first step. It is hoped that government corporations and commercial concerns will unite and that the small specialized import or export groups will try their best to co-operate, to use their initiative and ability to learn from accumulated experience, and to keep close contact with their counterparts in other regions, in order to realize a highly planned foreign trade.

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